

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-159

November 20, 1978

REGULATION Z NOTICE PROCEDURE TO IMPLEMENT
RECENT AMENDMENT TO REGULATION O

TO ALL MEMBER BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors of the Federal Reserve System amended Regulation O effective June 30, 1978, to clarify that an executive officer may not become indebted to a member bank under a credit card, check credit, or similar plan under terms more favorable than those offered to the general public. Since the amendment requires immediate compliance in applicable cases, it appears that implementation may conflict with notice requirements required by Regulation Z and, in some cases state laws, for example where states have adopted the Uniform Consumer Credit Code (U3C). Thus, the following actions are considered by the Board to be appropriate where changes in loan terms are required due to the Regulation O amendment.

1. All affected executive officers shall be given at least 15 days' written notice of any change in terms in order to comply with the requirements of Regulation Z, Section 226.7(f).
2. Where applicable state law requires special notices, all affected executive officers shall be given such required notices. Under the U3C, written notice of any change in terms must be given at least three times, the first notice being at least six months before the change is implemented.^{1/} Once an executive officer receives the first notice of any change and agrees to it in writing, further notice is not required; the change may then become effective in less than six months but in no case in less than the 15 days' notice period required by Regulation Z.
3. While implementation of this notice procedure may result in nonconformity with Regulation O during the notice period, banks will be considered to have complied with the spirit of the regulation where action has been taken to notify, in writing, affected executive officers. Accordingly, where banks

^{1/} Notice is required under versions of U3C in the States of Indiana, Iowa, Kansas, Maine, Oklahoma, Utah, and Wyoming; other states may have similar provisions.

have taken such action to comply with Regulation O, bank examiners will be instructed to list those situations for informational purposes only in completing reports of examinations.

It is emphasized that Regulation O applies only to "executive officers" as defined in the regulation.

Sincerely yours,

Robert H. Boykin

First Vice President